

THURSDAY, OCTOBER 8, 1857.

BIENNIAL MESSAGE OF
GOV. AND. JOHNSON.

EXECUTIVE DEPARTMENT, }
October 6, 1857. }

Gentlemen of the Senate
and House of Representatives:

It has again become my duty, as Governor of the
State, to submit for your consideration such meas-

THE ACTUAL INDEBTEDNESS OF THE STATE

	Bonds endorsed	Bonds Loaned	Total.
Nashville and Chattanooga Rail Road,	\$1,500,000		
do do for Cleveland and Chat. Rail Road,	150,000		\$1,650,000
East Tenn. and Ala. Rail Road,	200,000	1,289,000	1,489,000
East Tenn. and Ga. Railroad,		870,000	
do do for Cleveland and Chat. R. R.,	150,000		1,020,000
Memphis and Charleston R. R.,		1,100,000	1,100,000
Memphis and Ohio R. R.,		670,000	670,000
Tenn. and Ala. R. R.,	200,000	300,000	500,000
McMinnville and Manchester R. R.,		372,000	372,000
Miss. and Tenn. R. R.,		98,000	98,000
Miss. Central and Tenn. R. R.,		574,000	574,000
Mobile and Ohio R. R.,		706,000	706,000
Memphis and Little Rock R. R.,	350,000		350,000
Edgefield & Kentucky & Lou. and Nash. Bridge,		60,000	
Railroads, Total, - - - -			\$8,589,000
TURNPIKES			
Carthage and Hartsville Turnpike Co.,		6,000	
Carthage, Alexander and Red Sulphur Springs Turnpike Co.,		16,000	
Miss. and Dyersburg Plank Road,		25,000	
Manacer's Creek and Epplefield Turnpike Co.,		10,000	
Agricultural Bureau,		20,000	
			\$7,000
			\$8,676,000
Total Liabilities, - - - -			\$12,566,856 00

This exhibit shows the actual indebtedness of the State to be four million one hundred and ninety thousand eight hundred and fifty-six dollars and sixty-six cents, (\$4,190,856 66). The stocks owned by the State in Banks, Internal Improvement Companies, &c., amount to three million two hundred and ninety-two thousand seven hundred and sixteen dollars and sixty-six cents, (\$3,292,716 66,) as will appear by reference to another part of this Message. These stocks, when reduced to their market or estimated value, will amount to two million two hundred and forty-four thousand eight hundred and twenty-seven dollars, (\$2,244,827.) If this amount is applied to the liquidation of the actual indebtedness of the State, it will reduce that debt to one million forty-seven thousand seven hundred and ninety dollars and sixty-six cents, (\$1,047,079 66.) It is the opinion of some correct thinking and judicious persons, as well as my own, that it would be sound policy and economy to dispose of all the stock owned by the State, in Banks and Internal Improvement Companies, or otherwise, as soon as it can be done on advantageous terms, and to apply the proceeds of the sale of the same to the reduction of the actual indebtedness of the State, and for the State as soon as practicable to become entirely disconnected with all corporations whatever, either as partner or stockholder. The six per cent. which would be saved upon the Bonds, will amount to more than all the dividends which will be paid upon the stock so long as it is owned by the State.

The following tabular statement will show the amount of stocks owned by the State, in Banks, Internal Improvement Companies, &c., its original cost and its estimated value at the present time.

STOCK OWNED BY THE STATE.			
STOCK.	ORIGINAL.	ESTIMATED	
	COST.	PRRS. VAL.	
Bank of Tennessee,	\$1,000,000	\$1,000,000	
Union Bank,	650,000	650,000	
East Tenn. & Georgia Railroad,	1,600,000	1,200,000	
Franklin & Columbia Turpicks,	75,500	66,925	
Lebanon & Nashville,	" 80,000	48,266	
Nolensville,	" 47,000	21,770	
Nashville & Charlotte,	" 50,000	29,000	
Lebanon & Sparta,	" 85,000	11,750	
Columbia Central,	" 189,000	21,170	
Nashville & Kentucky,	" 50,000	12,500	
Clarksville & Russellville,	" 37,500	9,600	
Columbia, Pulaski & Elberton,	" 106,000	12,358	
Nashville & Murfreesboro,	" 66,666 66	30,580	
Gallatin & Cumberland,	" 6,000	5,258	
Gallatin,	" 180,000	26,400	
Cumberland & Stone's River	" 119,000	20,600	
Total,	\$3,299,716 66	\$2,244,827	

The foregoing Companies pay 6 per cent, on the estimated value.

It will be perceived from the tabular statement that the actual indebtedness and liabilities of the State for Internal Improvement Companies and the Agricultural Bureau will make the State liable for the sum of twelve million eight hundred and sixty-six thousand eight hundred and fifty-six dollars and sixty-six cents, [\$12,866,866 66] up to this time. And if all the Internal Improvement Companies apply for the aid of the State which have been authorized to do so by the various acts of Assembly which have been passed to encourage works of Internal Improvements, it will swell the State debt up to not less than twenty million dollars, [\$20,000,000]

The Bonds of the State which have been already issued to the various Internal Improvement Companies have been and are now selling in the money markets at ruinous rates of discount; in fact at a lower rate of discount than the Bonds of some of our sister States, whose resources and financial ability are not superior, if equal, to those of Tennessee, to meet their public engagements. Tennessee Bonds are issued and thrown into market without any definite information as to what amount of Bonds can be, or will be, issued under existing laws, or as to whether future Legislatures will extend the amount to be issued. The want of this information on the part of those who are willing to invest their capital in State securities, as to the amount of Bonds that can and will be thrown into market, deters and prevents many who otherwise would make investments in Tennessee Bonds. It is believed that if the Legislature will fix upon some definite and known limit to which the State credit is to be extended, and especially so if that limit is clearly within the financial ability of the State, it will have an immediate influence upon the price and sale of the Bonds now in market, and those that are to be thrown upon it hereafter for sale; which will greatly relieve those Internal Improvement Companies which now have their Bonds hypothecated, and which are entitled to the issuance of Bonds hereafter. I would therefore recommend that the boundary of our prospective public debt be well defined, and that it be reduced to the lowest limit consistent with the interest and credit of the State. The credit of the State can be sustained by the aid of a little timely

tures and suggestions as may be deemed expedient and best calculated to promote the interest of the citizen and the general prosperity of the State. In the discharge of this high and solemn duty, permit me to congratulate you upon the arrival of a period so peculiarly favorable to the performance of such high and responsible duties by the representatives of the people. Much indeed will depend on what direction your legislation may take generally, and especially so in regard to the finances, actual indebtedness and liabilities of the State. Your action upon these measures, along with some others, will be vital to the future prosperity of the people of the whole State, and will merit your profound and deliberate consideration.

In the first place, I would most respectfully call your attention to the actual indebtedness of the State up to this time, which is as follows:

and judicious legislation in the manner already indicated. It would also add to the confidence and credit of the State, if the Constitution was so amended as to inhibit any future Legislature from the creation of any public debt beyond a limited amount, without first submitting the proposition to the people for their approval or rejection, unless in some great emergency, such as insurrection, rebellion, or invasion. A proposition of this character at the present time, to amend the Constitution of the State, would be an earnest indication to capitalists that the public mind was healthy and sound in regard to State indebtedness and its ultimate adoption; would secure the people in the future against improvident, log-rolling legislation, and the creation of heavy and excessive state indebtedness, without at least first obtaining the people's consent.

State tax on three hundred million dol-	125,000
State tax on three hundred million dol-	
lars, at ten cents on the dollar	300,000
State tax on one hundred and twenty-five	
thousand polls, at twenty-five cents,	31,250
It will be perceived that from these two sources,	
alone, the State will derive a large revenue, amount-	
ing to three hundred and thirty-one thousand two	
hundred and fifty dollars, (\$331,250 00) which,	
with the other receipts into the Treasury, ought to	
make a fund sufficiently large to defray the current	
expenses of the State, when judiciously and	
economically appropriated.	

For a full and more detailed statement of the indebtedness of the State, and the true condition of the Treasury, I most respectfully refer you to the reports by the Comptroller and Treasurer.

By an act passed on the 27th day of February, 1854, it was provided that after paying the interest on the Bonds of the State, issued for stock in the Union Bank, the balance of the dividends and bonus shall be vested by the Governor and Comptroller in six per cent. Bonds of the State. It was, also, made the duty of the Governor and Comptroller to cancel the Bonds purchased with the proceeds of the dividends of State Stock and bonds of the Union Bank, until the amount shall equal the sum paid out of the Treasury, for the redemption of Union Bank Bonds. Under the provision of this law, there has been paid over to the Governor and Comptroller, of the bonus and dividends of the Union Bank, one hundred and fifty-seven thousand one hundred and five dollars and ninety-two cents—(\$157,195 92). Of this amount, there has been vested one hundred and five thousand one hundred and three dollars and fourteen cents, (\$105,103 14) in six per cent. Bonds of the State, leaving a credit on the books of the Bank in favor of this fund of ninety-two dollars and seventy-eight cents. The Bonds which have been cancelled are on deposit in the Bank of Tennessee.

It is also, provided by the second section of said act, that the dividends arising from the School Fund Stock in the Union and Planters' Banks, shall be paid over to the order of the Governor and Comptroller for six per cent. Bonds of the State. It is further made the duty of the Governor and Comptroller to deposit the Bonds purchased with the dividends from the School Fund Stock in the Union and Planters' Banks, in the Bank of Tennessee, and take the receipt of the President of the Bank for the same. There has been paid of the dividends, arising from the School Fund Stock, in the Union and Planters' Banks, upon the Governor and Comptroller's order, the sum of fifty-nine thousand dollars, (\$59,000) which sum has been vested in six per cent. State Bonds and the receipt of the President of the Bank of Tennessee taken for the same.

As it will become your duty to appoint a Committee to examine the accounts of the Comptroller and Treasurer, I would, therefore, suggest that you direct the same Committee to examine and report as to the amount received and disbursed under the law referred to.

THANKS.

In my first two Biennial Messages to the Legislatures of 1855-6 and 1856-6, I submitted for their consideration the propriety of putting the Bank of Tennessee and its branches in a gradual course of liquidation; to which Messages you are referred for the reasons and arguments which induced these recommendations. These views were followed up and sustained by the President and Directors of the Bank, in their report made to the Legislature of 1856-6. The President and Directors, after having had the Bank two years under their control, closely observing it in all its practical operations connected with the finances of the Treasury, together with the monetary affairs of the State, with great

unanimity of opinion recommended that it would be better for the State and the people generally to wind up the Bank, or to place it in a gradual course of liquidation; and in their report present the following irrefragable facts and arguments in support of their recommendations, to which I ask your earnest attention.

"The creation of so many new Banks at the last session of the Legislature, in addition to those that existed before, produced so much competition between them as will, in all probability, reduce the business and profits of each to a point so low as not to justify the continuance of all of them; and in the conflicts likely to arise from such competition, an institution belonging to the State, organized as the Bank of the State is at present, is likely to be made the victim of the selfishness and cunning of others more interested and more skillful in their management than inexperienced citizens can be; and as the Legislature cannot now recall the charters granted to others, the Directors have come to the conclusion, with great unanimity, and from a settled conviction, that the best interest of the State require it, that the Bank of Tennessee should be put in liquidation, and its concerns closed at as early a period as the convenience of the citizens will allow.

That non-resident stockholders should have no control over the moneyed institutions in this State; they have no interests in common with the people, and no sympathy for them in times of distress; their interests are indeed often antagonistic. Their investments in our stocks are made solely with a view to the per centum derived from them, and their control of them will be solely with a view to the profits that can be secured by them. That dealing in the circulating medium of the State, whether of the precious metals or paper currency, which regulates the value of property, and the price of the productions of the State, should be prohibited as far as the Legislature has the authority to do so. The citizens have too deep an interest in the amount, as well as the quality of the circulating medium by which the trade and business of the country is carried on, to allow any intermeddling with it by stock-jobbers, speculators, brokers, or bankers turned brokers.

"The Bank of Tennessee was established for the purpose of creating 'a fund for Internal Improvements,' and to aid in the establishment of a system of education.

The operations of the Bank in a few years seem to have convinced the General Assembly of the impracticability of accomplishing the great objects of its creation, under the organization which had been given it; and an act was passed in 1849, directing the profits of the Bank to be paid into the Treasury and the payment of the interest on the bonds of the State and the School Fund to be made by the Treasury; by that time near a million of dollars had been taken from the capital by appropriations of the Legislature, and the debts lost by the bank. By the act of the 3d March, 1854, the annual profits of the Bank were directed to be applied to supply the deficiency of the capital occasioned by the bad debts. So that the bank cannot be regarded at this time in any other light than a financial project to aid the Treasury of the State. It can scarcely be doubted that an investment of the School funds, composing in part the capital of the bank, in the bonds of the State, bearing an interest of six per cent. would have been a more wise and judicious disposition of them, than in the Stock of any corporation yielding nominally two or three per cent. more; and especially in one which was subject, from its organization, to all the casualties arising from the change of its officers every few years as the one or the other party prevailed in our elections, and to the carelessness, negligence or frauds of those controlling it. The other portion of its capital belonging to the State, a million of dollars, was obtained by issuing Bonds of the State, bearing six per cent. interest, and upon which the State now pays interest, and will be compelled to pay whether the bank yields a profit or not.

"From the operations of the bank heretofore, it is a strong reason to apprehend that losses of a similar character are likely to recur, and that the profits, by the time the charter expires, may be required to reinstate the capital as now required by the act of 1854. Under such circumstances it would seem to be the true policy of the State to pay the million dollars for the bonds of the State whilst it has the means under the control of the bank, and to invest the school funds in other bonds of the State, bearing interest, and thus avoid the hazards incident to borrowing money to be reloaned under the control of any corporate body. The public is seldom benefited by such financial schemes,

If the money has to be paid by the citizens it makes but little difference whether it be done thro' the Treasury or by the profits on discounts, and loans made to them through such a corporation; the more direct the mode adopted, the better generally for the citizens. It is, in the opinion of the Board of Directors, no unimportant matter to avoid the danger, seriously apprehended by many, of subjecting the citizens to taxation for the payment of debts created for the establishment of the bank, which would be the case in the event of any serious disaster happening to it before the expiration of its charter. The fund now belonging to the State, and now in bank, will go far toward extinguishing the indebtedness of the State. The present time seems more favorable for the accomplishment of this object than any other for years past, or than may be expected for years to come. The circulation of this bank is now less than it has been for years, and if withdrawn, its place will be at once supplied by the numerous banks now in operation, and its loss will be scarcely felt by the community.

"The past season has been more favorable to the great interests of the State than for many years, and the surplus products will enable the debtors of the bank to meet the demands against them without serious embarrassment, if a reasonable time be allowed for that purpose.

"By closing the concerns of the bank, an end will be made of the competition for making money between the State and its own citizens, and especially with those corporations in which it has so large an interest; such contents always result in the loss of money, as well as credit to the State; and the exciting contests for the control of its capital which is witnessed almost at every general election, will be excluded."

This report of the President and Directors, of itself, seems almost conclusive upon the subject, well nigh superseding the propriety of offering any thing more in addition, than they have said. The necessity and expediency of longer continuing the Bank as a fiscal agent for the Treasury, or, as a convenience for the people in their monetary affairs, would seem, after reading the report made by the President and Directors of the Bank, an utter absurdity; and it should be dispensed with, and thereby all connection between the State and Banks be dissolved. To carry on the business of Banking is not one of the objects for which the State was created, no more than it was to go into the pursuit of Agriculture or Mechanics. It was not designed by those who framed the Constitution of the State, or of the United States, that the States should be either Bankers, or Brokers, or Money Changers, in any sense of the term, or to make any thing a tender in payment of debts except gold and silver. This is the currency intended by the framers of the Constitution of the United States and of the States, for the people. It may be assumed that this great principle has never been violated, so as to come in con-

flict with the letter of the organic law of the land, but it has been violated in spirit and practice since the creation of the first bank in the State, and the people have been made the sufferers in the end, by every such violation of this fundamental principle of currency.

Within the last four years, not to go further back in the history of Banking in Tennessee, ten or twelve of the Banks of the State have suspended specie payment. The failure of these Banks will result in the loss of millions to the people, who had exchanged their produce for the worthless circulation. The time has arrived when the legislation of the country should be brought to bear upon all these spurious schemes and plans of originating what is commonly called money, a mere paper circulation, which passes for currency one day and on the next becomes valueless, in the hands of some innocent holder, who has exchanged the product of his field, or shop, or day's labor, for the worthless trash. To the extent that legislation can be made to bear upon currency it should be in making the circulating medium uniform in quantity and value, and thereby give all the business transactions of the country uniformity and stability, and should studiously avoid all legislation which will expand or contract the circulating medium, or diminish it in value. As between the Banks which have been incorporated in this State the Bank of Tennessee is believed to be in as sound and healthy a condition as any other Bank in the State, if not more so, and upon an exhibit of the business transactions of the Bank since it has been under the control of the present able, efficient and honest Directory and President, it will be shown that the Bank has realized greater profits, made fewer bad debts, and have given more general satisfaction to the public than in any other period of four years since its incorporation. It is believed, however, notwithstanding the institution has been well managed in the last four years, and will show increased profits, that it would be safer and better and more profitable, in the end, to convert the entire capital of the Bank, and all the real estate owned by it, into six per cent. bonds, as recommended in my former Messages, and subsequently by the President and Directors of the Bank. By converting the entire capital of the Bank into State Bonds, the whole machinery now necessary to carry it on successfully might be dispensed with, which would result in a saving of some thirty-five or forty thousand dollars per annum to the State.

It is the opinion of some, and it may be urged before the Legislature, that the capital of the Bank of Tennessee should be increased to an amount which would enable it to control the entire Banking accommodations and circulating medium of the State, and at the same time giving to the President and Directory of the principal Bank, located at Nashville, absolute control over all the Branches throughout the State, establishing a kind of central power at the city of Nashville, which, according to their views of the business and wants of the country, could expand and contract the circulation at pleasure. The entire circulation of Banks in the State on the first of January, 1857, in round numbers, was eight million dollars, (\$8,000,000.) A Bank, with the capacity to furnish eight millions of circulation, must be under the control of a central regency; which central regency must always, to a greater or less extent, be governed by the influences which surround it. To increase the capital of the Bank of Tennessee, and confer these additional powers upon it, would be doing great injustice to the other commercial divisions of the State, each of which would be more competent to judge of its necessities and conveniences, as to the amount of the circulation required, than any Directory could be at the city of Nashville.

If Banks are to be continued for the purpose of making and issuing paper circulation, it would be best just and fair to give to each commercial division the control of its own Banking accommodations, and all the circulation issued by Banks in each of these commercial divisions should be made redeemable at the counter of the Bank where issued, and at the principal commercial point in each division. For instance, to suppose East Tennessee to constitute one division; let all the circulating medium, issued by the Banks in that division, be made redeemable at the counter of the Bank where issued, and at whatever point may be deemed the most commercial point in that division. And so with the Middle and Western divisions of that State: requiring each one of those principal commercial points to make arrangements with the other two for the redemption of their paper circulation whenever it passed beyond the commercial boundary in which it was issued. An arrangement by the Banks, upon a principle of this kind, would exert a powerful and salutary influence in making the Bank paper uniform in value and quantity, when thrown into circulation by each of the commercial divisions, and at the same time leave each to determine the wants and necessities in regard to Banking accommodations in each commercial division.

I have stated that the circulation of Banks in this State on the first of January, 1837, was eight million dollars. I said that the entire amount of specie in all the Banks, grocers and smelters, with which this eight millions of Bank paper was to be redeemed, in round numbers, was two million dollars. The bare statement of this fact must be conclusive to all minds which are familiar with the operations of Banks, that eight millions of Bank paper, resting upon two millions of specie, cannot be sustained whenever there is a pressure or derangement of the monetary affairs of the country.

A circulation in paper amounting to four dollars, for one in specie, cannot afford a sound and uniform currency. A circulation which can be expanded from two to eight millions of dollars, as the interest and expediency the Banks may suggest, can never be the uniform in quantity or value that while the country must be subjected to the increase and diminution of prices for all the products of the country, just in proportion as their Bank accommodations are expanded or contracted. This state of things is bad enough when brought about by all the Banks, but to confer such a power upon any one institution, whether it be a State Bank, or otherwise, embracing separate and distinct commercial divisions to be controlled by a Directory in the City of Nashville, is a state of things which I hope will never be brought about by the Representatives of the people of the State of Tennessee.

In recommending to your consideration the propriety of winding up the Bank of Tennessee, it will not be inferred or understood by any that I am in favor of the creation or continuance of Stock or Free Banks. I would be in favor of winding them all up so soon as it is practicable and consistent with the commercial, agricultural and mechanical wants of the country to do so, believing as I do that the whole Banking system in the United States is founded in error, and that all Banks having their origin in such a system must necessarily contain the elements of their own destruction, and as a general rule will sooner or later result in ruin and fraud, producing great injury in all the business transactions and morals of the community wherever they may be located. But to attain this end will require time and the exercise of sound discretion. The work has to be commenced, and we had as well set the example by commencing with the Bank of Tennessee, constantly and steadily progressing until there shall not be a Bank incorporation left in the State. This being once accomplished here, hoping that a similar policy will be pursued and carried out by all the surrounding States, the vacuum created